

Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07
FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 SP-02
CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04
CEA-01 /102 W

-----191138Z 094862 /22

R 190907Z JAN 77
FM AMEMBASYL TOKYO
TO SECSTATE WASHDC 4854
TREASURY DEPT WASHDC
INFO AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMCONSUL HONG KONG
USMISSION OECD PARIS

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DEPT PASS FEDERAL RESERVE, CEA, LABOR

E.O. 11652: N/A
TAGS: EFIN, JA
SUBJECT: FINANCIAL AND ECONOMIC DEVELOPMENTS -- JAN 13-19

1. SUMMARY: PAST WEEK'S ACTIVITIES IN ECONOMIC SPHERE
FOCUS ON ADJUSTMENT OF MINISTERIAL BUDGETS, BUT RESULTS
WILL NOT BE ANNOUNCED UNTIL JAN 20. EPA AND BOJ SEE SIGNS
OF UPTURN IN INDICATORS OF FOURTH QUARTER 1976 ECONOMIC
ACTIVITY. PRIME MINISTER FUKUDA SAYS HE WILL CONSIDER
DISCOUNT RATE CUT. END SUMMARY.

2. OVER THE PAST WEEK, ATTENTION OF MANY ECONOMIC POLICY-
MAKERS HAS BEEN DEVOTED TO LAST GASP, WELL-PUBLICIZED
DELIBERATIONS AMONG VARIOUS GOVT MINISTRIES TO OBTAIN
ADJUSTMENT IN MOF PROPOSED BUDGETARY ALLOCATIONS. DECISIONS ARE
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SCHEDULED TO BE DISCUSSED FORMALLY AND ANNOUNCED BY
CABINET THURS JAN 20 FOR FORWARDING TO DIET. AS PREVIOUSLY
REPORTED, IT IS ANTICIPATED THAT SHIFTS WITHIN BUDGET WILL
NOT ALTER MAIN BUDGETARY AGGREGATES OR REVENUE PROPOSALS.

3. RECENT STATEMENTS BY ECONOMIC PLANNING AGENCY
INDICATE A GROWING SENSE OF CONFIDENCE THAT RECOVERY PACE

IS PICKING UP FROM THIRD QUARTER 1976 LOW. EPA MONTHLY REPORT RELEASED JAN 14 NOTED SIGNS OF A FOURTH QUARTER UPTURN IN CONSUMPTION AND THE NOV INCREASE IN PRODUCTION AND SHIPMENTS, ALONG WITH THE CONTINUING HIGH LEVEL OF EXPORTS, AS INDICATIONS THAT DEMAND IS STRENGTHENING. HOWEVER, DESPITE SIGNS THAT RECOVERY TEMPO IS INCREASING,

THEREPORT CONCLUDED (NOT SURPRISINGLY) THAT IN VIEW OF OVERALL SOFTNESS IN DEMAND SOME ADDITIONAL STIMULUS THROUGH EXPANDED PUBLIC WORKS WOULD BE USEFUL IN BOLSTERING RECOVERY SOMEWHAT LESS FORCEFULLY, BOJ GOV MORINAGA, ADDRESSING JAN MEETING OF BOJ BRANCH CHIEFS THIS WEEK, SAID HE WAS CONFIDENT RECOVERY WOULD CONTINUE AND THAT POSSIBILITY OF NEW STALL COULD BE RULED OUT. MORINAGA ALSO CAUTIONED THAT RECENT EASING OF WPI PRICE RISS DID NOT WARRANT OPTIMISM, IN VIEW OF HIGHER OIL PRICES.

4. IN LATEST EXCHANGE ON THE SUBJECT, PRIMIN FUKUDA INDICATED THAT HE WOULD CONSIDER A DISCOUNT RATE CUT. FOLLOWING A MEETING WITH BUSINESS LEADERS, A SPOKESMAN SAID THAT FUKUDA HAD TOLD THEM THAT HE WOULD CONSIDER LOWERING THE OFFICIAL DISCOUNT RATE TO STIMULATE THE ECONOMY (ALTHOUGH HE REJECTED BUSINESS DEMANDS FOR A LARGER TAX CUT). THERE ARE ALSO CONTINUED REPORTS OF SENTIMENT IN LDP FAVORING A RATE CUT.

5. THE WEEK ALSO SAW SEVERAL REPORTS OF ACTIVITIES AFFECTING INTERNATIONAL CAPITAL MARKET. SANKO STEAMSHIP CO., LTD. ANNOUNCED PLANS TO ISSUE BONDS TOTALING 100 MIL D. MARKS ON UNCLASSIFIED

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JAN 26, TO BE USED FOR FINANCING SHIP CONSTRUCTION BY ITS OVERSEAS SUBSIDIARY AS WELL AS OTHER OVERSEAS EXPENSES. IT IS REPORTED THAT KUMAGAI-GUMI CO., A TOKYO-BASDD CONSTRUCTION FIRM, WILL SHORTLY FLOAT A DOLLAR 15 MIL DEBENTURE ISSUE IN LONDON TO RAISE FUNDS FOR OVERSEAS CONSTRUCTION PROJECTS, MAINLY FOR A ROAA CONSTRUCTION PROJECT IN NORTHERN SUMATRA. THE ISSUE WILL REPORTEDLY YIELD ABOUT 7.75 PERCENT PER ANNUM AND BE REDEEMABLE IN FIVE YEARS. AT FIRST JOINT MINISTERIAL LEVEL MEETING BETWEEN TWO GOVTS SCHEDULED JAN 20 IN TOKYO, JAPAN AND IRAQ GOVTS ARE EXPECTED TO REACH AGREEMENT ON \$2 BIL LOAN PACKAGE FOR IRAQ, FOR A VARIETY OF PROJECTS, FROM VARYING JAPANESE SOURCES AT VARYING TERMS (DETAILS WILL BE REPORTED WHEN AVAILABLE). FINALLY, IT SHOULD BE NOTED THAT WESTDEUTSCHE LANDESBANK WILL OPEN BRANCH IN TOKYO ON JAN 24, THE THIRD BRANCH OPENING IN JAPAN BY COMMERCIAL BANK WEST GERMAN THIS WILL ALSO BE THE SECOND BRANCH OPENING II JAPAN BY

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FOREIGN BANKS IN CURRENT FY. UNION DE BANQUES
ARABES ET FRANCISES (UBAF) OPENED TOKYO BRANCH IN
MAY 1976.

6. PASSENGER CAR REGISTRATIONS IN DEC WERE SLIGHTLY BELOW
MONTHLY AVERAGE FOR 1976. WITH ANNUAL FIGURES NOW COMPLETE,
IT IS CLEAR THAT 1976 WAS A LACKLUSTER YEAR FOR JAPAN'S
DOMESTIC CAR SALES. ALTHOUGH BETTER THAN RECESSION YEAR
1974, AVERAGE MONTHLY REGISTRATIONS IN CY 1976 WERE SOME
10 PERCENT OFF 1975 PACE AND NEARLY 20 PERCENT BELOW RECORD
LEVELS OF 1972 AND 1973. THERE IS
LITTLE BASIS FOR EXPECTING A STRONG UPTURN SOON.

THOUSAND CARS, S.A. PERCENT CHANGE
FROM PRIOR PERIOD

RECENT YEARS (MONTHLY AVERAGE):

1973	245.9	2.2
1974	188.9	MIN 23.2

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1975	227.9	20.6
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1976 202.5 MIN 11.5
RECENT QUARTERS (MONTHLY AVERAGE):
1976 JAN-MAR 198.0 MINH10.4
APR-JUNE 203.7 2.9
JUL-SEP 207.4 1.8
OCT-DEC 201.0 MIN 3.1

RECENT MONTHS:
1976: SEP 198.5 2.9
OCT 193.9 MIN 7.4
NOV 222.5 21.0
DEC 196.7 MIN 11.6

7. OTHER INDICATORS RECENTLY RELEASED SHOW SEP LABOR
PRODUCTIVITY IN MANUFACTURING INDUSTRIES (JEI 413, N.S.A.)
UP 3.4 PERCENT FROM PRIOR MONTH TO REACH 157.4 (1970 EQUALS
100); AND AVERAGE PROPENSITY TO SAVE IN OCT AT 23.7
PERCENT OF DISPOSABLE INCOME (JEI 363, S.A.).
HODGSON

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Disposition Approved on Date:
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